

Message Text

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ACTION EUR-12

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AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
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TAGS: EALR, ENRG, TECH, BEXP, CZ
SUBJECT: FUELS AND ENERGY: PREMIER STROUGAL ADDRESSES MINERS
AND ENERGY WORKERS

REFS A. 76 PRAGUE 2607 B. 76 PRAGUE 3342(NOTAL)

1. SUMMARY: PREMIER STROUGAL'S SEPT. 2 SPEECH PROVIDES RARE
INFORMATIVE REPORT ON CSSR'S ENERGY PLANS. HIGHLIGHTS INCLUDE
COMMENTS ON SOVIET OIL AND GAS DELIVERIES, DEVELOPMENT OF
DOMESTIC COAL AND LIGNITE RESOURCES, FUTURE SHIFT TOWARD
NUCLEAR POWER, OIL AND GAS IMPORTS AND ENERGY CONSERVATION.

EMBASSY COMMENT: ALTHOUGH WITHOUT STARTLING NEW REVELATIONS,
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SPEECH HAS INTERESTING ASPECTS. NOTABLY, SPEECH TENDS TO
CONFIRM OUR INTERPRETATION OF KEMPNY SPEECH ON SAME OCCASION
LAST YEAR. PLANNED INVESTMENT IN COAL EXTRACTION DRAMATIZES
URGENCY OF NEED TO EXPLOIT DOMESTIC FOSSIL FUELS. EMBASSY
IS PREPARING DETAILED REPORT ON CSSR'S OVERALL ENERGY
SITUATION WHICH WILL COMMENT FURTHER. END SUMMARY.

2. IN SEPTEMBER 2 SPEECH IN OSTRAVA ON OCCASION OF "MINERS' AND ENERGY WORKERS' DAY", PREMIER STROUGAL GAVE RARE INFORMATIVE REPORT ON CZECHOSLOVAKIA'S ENERGY PLANS. HIGHLIGHTS OF SPEECH, BASED ON BOTH EMBASSY TRANSLATION OF RUDE PRAVO REPORT AND CETEKA NEWS AGENCY SUMMARY, INCLUDE:

A) WHEREAS 90 PERCENT OF INCREMENT IN CSSR'S ENERGY NEEDS IN 1971-75 WAS MET BY OIL AND GAS IMPORTS FROM SOVIET UNION AT "VERY ADVANTAGEOUS PRICES", DOMESTIC FUEL RESOURCES WILL HAVE TO SUPPLY GREATER SHARE OF FUTURE GROWTH IN DEMAND. NEVERTHELESS, OIL AND GAS IMPORTS FROM USSR WILL INCREASE FURTHER UNDER PRESENT (1976-80) FIVE YEAR PLAN (FYP) "AT PRICES WHICH THIS YEAR ARE LOWER BY ONE-THIRD THAN WORLD PRICES."

B) COAL AND LIGNITE, WHICH IN 1975 ACCOUNTED FOR ALMOST 70 PERCENT OF CSSR'S PRIMARY ENERGY RESOURCES, WILL REMAIN TOP ENERGY SOURCE UNTIL END OF THIS CENTURY. FYP CALLS FOR COAL PRODUCTION TO RISE 10 PERCENT BETWEEN 1975 AND 1980. PRELIMINARY EXPECTATIONS ARE THAT COAL PRODUCTION WILL TOP 125 MILLION BY 1980 AND 135 MILLION TONS BY 1990. FUNDS EARMARKED FOR MACHINERY AND OTHER CAPITAL INVESTMENTS FOR COAL INDUSTRY BETWEEN 1981 AND 1990 TOTAL 55 BILLION CROWNS (EQUALS APPROXIMATELY \$9.6 BILLION AT INFLATED OFFICIAL EXCHANGE RATE OR ABOUT \$5 BILLION AT MORE REALISTIC BUT STILL ARTIFICIAL DIPLOMATIC RATE).

C) A MARKED SHIFT TOWARD NUCLEAR POWER WILL OCCUR, WITH TOTAL LIMITED OFFICIAL USE

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INSTALLED CAPACITY REACHING 3,500 MEGAWATTS BY 1984 AND 10,500 MW BY 1990. GOC WILL ALSO REVIEW POSSIBILITIES AND TERMS OF OUR PARTICIPATION IN JOINT CONSTRUCTION OF A LARGE-VOLUME NUCLEAR PLANT IN WESTERN USSR SO AS TO INCREASE ELECTRICITY IMPORTS.

D) WHEN FINISHED (NO DATE GIVEN), THE OIL PIPELINE FROM THE ADRIATIC, "WHICH IS BEING BUILT IN COOPERATION WITH YUGOSLAVIA AND HUNGARY, WILL SERVE CRUDE OIL IMPORTS FROM THE DEVELOPING COUNTRIES."

E) GAS IMPORTS FROM THE USSR WILL TOTAL MORE THAN 8 BILLION CUBIC METERS IN THE "PERIOD UP TO 1980" (I.E., PRESUMABLY NEXT TWO OR TWO AND HALF YEARS). AFTER 1980, CSSR WILL IMPORT 3.6 BILLION CUBIC METERS OF GAS ANNUALLY FROM IRAN FOR MORE THAN TWENTY YEARS (REF B).

F) ENERGY CONSERVATION IS A MAJOR PROBLEM DUE TO UNSATISFACTORY RATE OF ENERGY CONSUMPTION (6.8 TONS OF CONVERSION-UNIT FUEL PER CAPITA ANNUALLY). "IT IS EXTRAORDINARILY IMPORTANT THAT WE CONVERT OUR ECONOMY TO ENERGY-CONSERVING TECHNOLOGY AND EQUIPMENT RATHER THAN INCREASE ENERGY IMPORTS."

3. EMBASSY COMMENT: ALTHOUGH IT OFFERS NO STARTLING NEW REVELATIONS, STROUGAL'S SPEECH HAS MANY INTERESTING ASPECTS. OF SPECIAL NOTE IS FACT SPEECH TENDS TO CONFIRM OUR ITERPRETATION OF SPEECH ON SAME OCCASION MADE LAST YEAR (REFTEL) BY PRESIDUM MEMBER KEMPNY. OUR VIEW THEN WAS THAT KEMPNY DID NOT IMPLY THAT SOVIETS WOULD NOT MEET PROMISED OIL DELIVERY LEVELS, WHEREAS SOME WESTERN JOURNALISTS CONCLUDED THE OPPOSITE. STROUGAL SEEMS TO SAY THAT SOVIET OIL DELIVERIES WILL CONTINUE TO RISE DURING CURRENT FYP, ALTHOUGH NOT AT RATE OF INCREASE IN PREVIOUS YEARS, ALL OF WHICH IS CONSISTENT WITH OUR READING OF KEMPNY'S SPEECH. STROUGAL'S MENTION OF 55 BILLION CROWN PLANNED CAPITAL INVESTMENTS IN COAL INDUSTRY DRAMATIZES URGENCY OF GOC'S NEED TO EXPLOIT TO FULLEST EXTENT ITS FOSSIL FUEL RESOURCES, WHICH ARE HARDLY ABUNDANT GIVEN LOCAL NEEDS. BULK OF THESE FUNDS WILL, NO DOUBT, BE SPENT LIMITED OFFICIAL USE

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LOCALLY OR IN OTHER CEMA COUNTRIES, BUT THEY REPRESENT SELECTIVE TRADE OPPORTUNITIES FOR WESTERN SUPPLIERS OF HIGH TECHNOLOGY ITEMS.

4. EMBASSY IS PREPARING DETAILED REPORT ON OVERALL CZECHOSLOVAK ENERGY SITUATION WHICH WILL COMMENT MORE FULLY ON STROUGAL'S SPEECH AND RELATED TOPICS.

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